

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL NO: AEPC_2021_02

WEM PROCEDURE: CAPACITY CREDIT ALLOCATION

Published: **July 2021**





EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	9 August 2021
Type of Procedure Change Proposal:	Amendment
WEM Procedures affected:	WEM Procedure: Capacity Credit Allocation

The publication of this Procedure Change Proposal and the accompanying call for submissions, commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Capacity Credit Allocation (Procedure) under the Wholesale Electricity Market Rules (**WEM Rules**).

In February 2020, the Minister for Energy for Western Australia gave notice of the Wholesale Electricity Market Amendment (Reserve Capacity Reforms) Rules 2019¹. The Amending WEM Rules made by the Minister for Energy has a commencement date of 1 October 2021.

Clause 2.9.3(b) of the WEM Rules requires a WEM Procedure to be amended where a change is required to maintain consistency with Amending Rules. AEMO has therefore initiated this Procedure Change Proposal, proposing amendments to the Procedure to ensure that it is consistent with the Amending Rules introduced by the Minister for Energy.

The Procedure Change Proposal was first consulted on at the AEMO Procedure Change Working Group (APCWG) meeting on 2 August 2021. Stakeholders did not request any changes at the meeting.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the Procedure or better meet the Wholesale Market Objectives in section 122(2) of the Electricity Industry Act 2004 (Electricity Industry Act) (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed amended Procedure by 5.00 pm (Australian Western Standard Time) on 6 September 2021, in accordance with the call for submissions published with this paper.

¹ The Amending WEM Rules can be found at <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-amendment-reserve-capacity-pricing-reforms-rules-2019>



CONTENTS

EXECUTIVE SUMMARY	2
1. PROCEDURE CHANGE PROCESS	4
2. BACKGROUND	5
2.1. Regulatory requirements	5
2.2. Context for this consultation	5
2.3. Consultation to date	5
3. PROPOSED PROCEDURE CHANGE	5
3.1. Detail of the proposed procedure change	5
3.2. Proposed drafting	5
3.3. Wholesale Market Objective assessment	6
4. SUMMARY OF MATTERS FOR CONSULTATION	6



1. PROCEDURE CHANGE PROCESS

Clause 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of WEM Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO WEM Procedure would be appropriate.

If an Amending Rule requires AEMO to develop new WEM Procedures or to amend or replace existing WEM Procedures, then AEMO is responsible for the development, amendment, or replacement of WEM Procedures so as to comply with the Amending Rule.

Under clause 2.9.3 of the WEM Rules, WEM Procedures:

- (a) must:
 - (i) be developed, amended or replaced in accordance with the process in the WEM Rules;
 - (ii) be consistent with the Wholesale Market Objectives; and
 - (iii) be consistent with the WEM Rules, the Electricity Industry Act and the WEM Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

AEMO has published this Procedure Change Proposal in accordance with the Procedure Change Process in clause 2.10 of the WEM Rules.

AEMO’s indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Process Stage	Indicative date
Procedure Change Proposal published	9 August 2021
Submissions due on Procedure Change Proposal	6 September 2021
Procedure Change Report published	13 September 2021
Proposed commencement of amended WEM Procedure	16 September 2021



Prior to the submission due date, stakeholders may request a meeting with AEMO to discuss the issues and proposed changes raised in this Procedure Change Proposal.

2. BACKGROUND

2.1. Regulatory requirements

Clause 9.4.18 of the WEM Rules states:

AEMO must develop a WEM Procedure dealing with:

- (a) *Capacity Credit Allocations; and*
- (b) *other matters relating to sections 9.4 and 9.5*

The current version of the WEM Procedure commenced on 24 August 2020.

2.2. Context for this consultation

Clause 2.9.3(b) of the WEM Rules requires a WEM Procedure to be amended where a change is required to maintain consistency with the Amending Rules.

The proposed amendments to align it with the Wholesale Electricity Market Amendment (Reserve Capacity Reforms) Rules 2019 are summarised in section 3.1 of this Procedure Change Proposal.

2.3. Consultation to date

A draft version of the proposed amended Procedure was presented at the APCWG meeting on 9 August 2021. Stakeholders did not request any changes at the meeting.

The minutes and papers from the meeting will be available at:

<https://aemo.com.au/en/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

3. PROPOSED PROCEDURE CHANGE

3.1. Detail of the proposed procedure change

The proposed changes to the Procedure are:

- Revisions throughout the Procedure to:
 - o align terminology to the Amending Rules
 - clarify that Capacity Credit Allocations can now be made by Market Participants and not restricted to Market Generators
 - o clarify that Reserve Capacity Price is specific to a Facility
 - o ensure that Capacity Credit Allocations are made from a respective Participant-Facility pair to a Participant

3.2. Proposed drafting

AEMO has published a draft of the WEM Procedure: Capacity Credit Allocation incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: https://aemo.com.au/en/consultations/current-and-closed-consultations/aepec_2021_02.



3.3. Wholesale Market Objective assessment

The steps outlined in the proposed amended WEM Procedure describe how Rule Participants will fulfil their obligations under the WEM Rules.

AEMO considers that the WEM Procedure, if amended as proposed, would be consistent with the Wholesale Market Objectives.

4. SUMMARY OF MATTERS FOR CONSULTATION

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed Procedure or better meet the Wholesale Market Objectives. Stakeholders are invited to submit written responses on the proposed amended Procedure by 5:00 PM (Australian Western Standard Time) on 6 September 2021 in accordance with the call for submissions published with this Procedure Change Proposal.

Stakeholders with questions in relation to the proposed amended Procedure or this Procedure Change Proposal can contact AEMO via email at wa@aemo.com.au. All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2021_02: WEM Procedure – Capacity Credit Allocation [Name of the submitting company or individual]".